In the Supreme Court
OF THE
United States

OCTOBER TERM, 1966

No. 214

THE FLEISCHMANN DISTILLING CORPORATION, a corporation, and JAMES BUCHANAN & COMPANY, LIMITED,
Petitioners,

vs.

MAIER BREWING COMPANY, a corporation, and RALPHS GROCERY COMPANY, a corporation,
Respondents.

RESPONDENTS' BRIEF

On Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

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INTRODUCTION AND REFERENCES

The decision under review (Transcript of Record, 97-115) is reported in 359 F.2d 156 and in 149 U.S.P.Q. 89 and is herein sometimes referred to as the decision

and as paginated in the Transcript of Record (herein TR). The decision is unanimous and was rendered upon an *en banc* hearing of the nine judges of the Court of Appeals. An earlier decision in the cause is reported in 314 F.2d 149 (reversing 196 F. Supp. 401, *cert. den.* 374 U.S. 830) and is herein sometimes referred to as the first opinion. Petitioners' brief herein is sometimes referred to as PB.

The Lanham Trademark Act (15 U.S.C. 1051-1127) is sometimes referred to as the act and references to state are to the State of California and to state codes and statutes as those of that state.

Unless otherwise indicated, emphasis, insertions and omissions in quotations herein are supplied by counsel.

STATEMENT AS TO JURISDICTION

Jurisdiction has been conferred by 28 U.S.C. 1254 (1) upon the Court's granting of petition for a writ of certiorari (TR 116). Jurisdiction of the Court of Appeals is conferred under 28 U.S.C. 1292 (b) and that of the District Court, under 15 U.S.C. 1121. There is no pendent, or other, jurisdiction unrelated to the act.[1]

[1] In the first opinion (314 F.2d 149, 161) the Court of Appeals made its ruling as follows:

> "And because we have found adequate legal support for our conclusion in the Lanham Act, *we do not consider* here the appellants' argument that *the California law*, statutory and decisional, compels the same conclusion."

There is no suggestion in the record that either respondent is engaged in interstate or foreign commerce or that the activities of either impinge upon such commerce.

RESPONDENTS' STATEMENT OF THE QUESTION PRESENTED UPON REVIEW

The only question presented for decision in the cause[2] may be stated as follows, namely:

May the District Courts of the United States award attorneys' and litigation expenses incurred in a suit under the act based on use of a plaintiff's registered trade name by a defendant wherein—

1. An injunction has been granted on the sole ground that such use is likely to cause confusion in the future as to the source of origin of defendant's merchandise;

2. It is conceded that no damage has been suffered;

3. No showing or ruling upon an accounting has been had;

4. All questions of unfair competition under state law have been eliminated; and

5. The respective parties are prohibited by state regulatory statute[3] from engaging in competition, one with the other.

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[2]Appellants have reserved the appellate issues of lack of support in the record for an award and that the purported award is excessive (appendix, page 2). The Court of Appeals, however, placed its decision upon the ground that the District Court lacked authority to make an award of this nature under the act. Since the latter ruling made consideration of alternate assignments of error unnecessary, the appellate issues were narrowed to the ruling of the Court of Appeals (TR 98, 114).

[3]See the Twenty-first Article of Amendment to the Constitution of the United States (*State Board of Equalization v. Young's Market Co.*, 299 U.S. 59, 57 S.Ct. 77, 81 L.Ed. 38) and sections 23366, 23771, 23775 and 23402 of the Business and Professions Code of the State of California. None of respondents' activity has been shown to have occurred in interstate commerce.

Respondents apprehend that the only basis of federal jurisdiction to be advanced is statutory and the exclusive principle of governance germane to the question is that of legislative policy of the Congress: whether trademark litigants should be allowed to recover attorney's fees in prosecuting and defending their rights as registrants under the act.

Respondents further apprehend that the principles of review invoked are those of statutory construction of the act, particularly section 1117 (15 U.S.C. 1117), on its face and in the context of the act and its statutory history.

It is submitted that the decision of the Court of Appeals has accurately analyzed the act and its history, correctly applied the relevant principles of statutory construction and that its analysis and rulings should, for these reasons, be affirmed by the Court.

It is noted that petitioners implicitly concede these circumstances, but appear to seek reversal of the decision upon considerations extraneous[4] to the act and irrelevant to any issue in litigation (PB 2, "Questions Presented").

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[4]See the statement of principle and citation of authorities in *Glenn v. Advertising Publications, Inc.*, 251 F.Supp. 889, 901:

> *"The phrase 'to protect* persons engaged in such commerce *against unfair competition'* inserted in the middle of this sentence *does not, in and of itself, create a general federal law of unfair competition in interstate commerce.* This general language must be attributed to a particular section of the Act. American Auto. Ass'n v. Spiegel, 205 F.2d 771 (2d Cir. 1953), cert. denied, 346 U.S. 887, 74 S.Ct. 138, 98 L.Ed. 391 (1953)."

and compare: *Sears, Roebuck & Co. v. Stiffel Company*, 376 U.S. 225, 84 S.Ct. 784, 11 L.Ed.2d 661, 668; and *Compco Corp. v. Day Brite Lighting*, 376 U.S. 234, 84 S.Ct. 779, 11 L.Ed.2d 669, 672.

RESPONDENTS' STATEMENT OF THE CASE

Respondents are unable to concur in petitioners' statement of the case and respectfully submit that petitioners' remarks at this place (PB 3-10) consist substantially of argument and irrelevancies and, in some respects, patent inaccuracies.

While it is respectfully submitted that the factual considerations relevant to the question presented for review are accurately and adequately set forth in the opinion and rulings of the Court of Appeals (TR 97-115) and that neither restatement nor comment is likely to prove helpful, respondents outline such further factual considerations as appear likely to be helpful as an aid to decision herein.

Respondent Maier manufactures and sells in California what are known as "private brands" of beer for sale to its customers—including respondent Ralphs—a retailer of foods in Los Angeles, California.

The name "black and white" had been registered with California authorities and used as a brand name for beer in California by the St. Claire Brewing Company for the period of 1935 through 1938—when it was abandoned by that brewer. Information of such use and abandonment were conveyed to Maier by one of its employees formerly employed by the St. Claire Brewing Company. In 1956, Maier required a "private brand" of its beer for sale to Ralphs for resale at retail and adopted the name of "black and white" for that purpose (TR 13). Maier's executives believed, in adopting the black and white name as previously registered, used and abandoned in California,

that beer and scotch whisky were distinct products.[5] and that such use should not cause confusion among the buying public (TR 13 and first opinion 314 F.2d 149, 157).

The name black and white had been used on many beverage products and had been registered with the United States Patent office and with California authorities in connection therewith, including a registration, in California, of that name for beer (TR 14).

It is admitted (TR 14 and 16, quotation) and adjudicated (in the first opinion, 314 F.2d 149, 158-159) that no actual confusion of Buchanan's and Maier's products ever occurred at any time.

Maier did not simulate any feature of Buchanan's trademark, or label, or of its advertising format, or symbols (TR 13) and neither of respondents advertised black and white beer.

California and federal food and regulatory laws have expressly required label identification of source upon all containers of alcoholic beverages (e.g. sections 25200-25212 of the Business and Professions Code) and there is no suggestion that Maier, or Buchanan, failed to conform to this requirement.

When attorneys for petitioners wrote Maier to claim infringement of Buchanan's name, Maier's attorneys advised Maier its use of the name black and white was lawful (TR 48-52) and litigation, if instituted,

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[5]The reported adjudications to this effect include: *Atlas Beverage v. Minneapolis Brewing Co.*, 113 F.2d 672; *Arrow Distilleries v. Globe Brewing Co.*, 117 F.2d 351 and *Century Distilling Co. v. Ph. Schneider Brewing Co.*, 26 F.Supp. 936 (Aff. 107 F.2d 699).

should be defended and that such defense should be successful (TR 48). One of Maier's attorneys conveyed this position to petitioners' counsel (TR 53-54 and 59).

The instant litigation resulted and findings and judgment were rendered in favor of respondents (TR 12-16).

The first appeal (314 F.2d 149) followed, wherein the Court of Appeals ruled (314 F.2d 149, 152; 157) as follows:

> "... 'we are in as good a position as the trial judge to determine the probability of confusion.'"
>
> * * *
>
> "It is plain from the testimony quoted above that *Maier was laboring under* the same *mistake of law* which we have noted in the trial court's findings, *namely, that since the goods had distinctly different properties, there was no real competition between whisky and beer,* and hence that defendants' adoption of *the label would be lawful because no confusion*[6] *would be likely.*"

Although no formal finding was made, an injunction against further use of the name black and white by

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[6]The absence of actual confusion is shown by the testimony of petitioners' principal witness (TR 16), in relevant part:

> "Q. Now, is it your contention, Mr. Baumgarten, that *a customer would be confused* in buying a can of Black and White beer put out by the Maier people that he was getting a product of Buchanan's?
>
> A. No. . . . *No, my answer is no to your question.*
>
> Q. You don't believe there would be any confusion in a customer's mind that they were buying a beer made in Great Britain?
>
> A. I wouldn't think so, no."

respondents was directed. Such *de novo* determination of the facts appears to be unique in trademark and general litigation and the Court of Appeals declined to follow that ruling in the trademark case of

> *Plough, Inc. v. Kreis Laboratories,* 314 F.2d 635, 640,

filed eight days later (February 20, 1963). Respondents unsuccessfully sought review by certiorari (374 U.S. 830).

Upon remand, the District Court entered its order of injunction as directed (TR 38-31 at 30), respondents terminated further use of the name and liquidated existing supplies of beer bearing the name as provided by stipulation and order of the latter court (TR 30 and 32-34).

Petitioners, without bringing on the accounting[7] issues, next moved the hearing upon attorneys' fees and non-taxable litigation expenses under review herein (TR 31) wherein (TR 48 and 51-52) the evidence of good faith reliance upon advice of counsel is clear and unchallenged, in relevant part, as follows:

> "Q. *Mr. Mellin, did you give any advice to the Maier Brewing Company on the subject of their right to use the name Black & White before the litigation was commenced?*

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[7]It is expressly conceded that no damage has been sustained by either of petitioners. See Transcript of Record (TR 26), in relevant part:

> "Counsel . . . says there should be no accounting because the plaintiffs said before Judge Harris that it had no evidence of damage.
>
> Well, of course, my partner, Mr. Bailey Lang, tried this case and as I see the record he said he was not going to offer any evidence that we had lost sales."

A. *I did,* but I think it was through the firm of Hill, Farrer & Burrill in Los Angeles; I don't think it was direct.

Q. And the firm of Hill, Farrer & Burrill in Los Angeles represented the Maier Brewing Company in Los Angeles at the time, to your knowledge?

[fol. 237] A. They were representing them in some matter at the time, as I recollect, because I know Maier Brewing Company was not a regular client of ours and this was referred by them to us.

Q. And what was your opinion on that subject?

A. *My opinion was that the defense should succeed in the event of litigation, and they were so advised."*

* * *

"Q. Mr. Kalmanovitz, approximately how long have you been identified with the Maier Brewing Company?

A. Fourteen years.

Q. In what capacity, sir?

A. Vice-President and President.

Q. How long have you been President?

A. Eight years.

Q. Did you ever receive any advice from any lawyer before the litigation in this matter was commenced by the filing of the complaint that you are not permitted under the law to use the name Black & White on beer manufactured by the Maier Brewing Company?

* * *

The witness: No.

By Mr. Chotiner:

Q. *Did you ever receive any advice from any lawyer that in his opinion you were permitted to use the name Black & White on beer manufactured by Maier Brewing Company?*

A. *I did.*

Q. From whom did you receive that advice?

A. Max Gilford, from Mr.—Hill, Farrer & Burrill, I don't remember the gentleman's name, and also a letter indirectly from Mr. Mellin to Hill, Farrer & Burrill.

Q. At the time that you contested the complaint in this matter, did you believe that you had a right to use the name of Black & White on beer manufactured by your company?

A. Positively."

PETITIONERS' "STATEMENT OF THE CASE" (PB 3-8), NOTED

This discussion consists of three principal parts: "petitioners' efforts to induce cessation, etc.," (point 2, PR 4-6) consisting of argumentative statement of the respective pre-litigation positions of the parties taken in good faith upon advice of counsel; "the trademark infringement suit" (point 3, PR 6-8) expanding upon the first appeal (314 F.2d 149) and respondents' efforts to secure review of that atypical ruling—unfortunately concluding with the misrepresentation (PR 8) that respondents did not fully conform to the injunction and related directions of the District Court (TR 30 and 32-34); and "the award of attorneys" fees after remand (point 4, PR 9-10)

wherein are quoted purported findings[8] on which no trial was had and no proof adduced.

PETITIONERS' "SUMMARY OF THE ARGUMENT" (PB 10-15), CONSIDERED

Petitioners here concede, however implicitly, that the ruling of the Court of Appeals that the act does not provide for an award of attorneys' fees in a trademark case thereunder is correct beyond challenge and proceed to consider cases arising under state statutes and other acts of the Congress or within the admiralty and traditional equity jurisdiction of the federal Courts.

Petitioners here expose[9] no decisional law, not considered in detail by the Court of Appeals, and respondents respectfully submit that the objective and responsible analysis of the relevant decisions of the federal courts by that Court is more reliable than the extravagances of advocacy, however earnest (e.g. petitioners deign to suggest that the admiralty case of *Vaugh v. Atkinson* (369 U.S. 161) is "in equity" (PB 10)).

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[8]The purported findings (PB 9, quotation) to the effect that the use of the mark was not had upon advice of counsel and in good faith mistake of law are clear error.

[9]Petitioners pointedly eschew reference to the rulings of the leading case in re recovery of counsel fees in this country,

> *Oelrichs v. Spain*, 1872, 82 U.S. (15 Wall.) 211, 231, 82 L.ed. 43, 45,

and the objective annotation to *Vaugh* (369 U.S. 527) set out in 8 A.L.R. 2d 894-942, Par. 10, Trademark infringement and unfair competition cases, pp. 914 et seq.

Petitioners further concede that they urge the reversal of the American rule against awarding counsel fees to the prevailing party to be surcharged to losing litigants and the adoption of the English rule[10] to the contrary (PB 10) stating: ". . . English practice shows the propriety of the award here", citing a 1966 English treatise (PB 11, fn. 1).

Sprague (307 U.S. 161, cited PB 10) is a common-fund-recovered case wherein one common owner of the fund recovered is reimbursed his litigation expense incurred in recovering the common fund, in behalf of all owners, from outsiders—in avoidance of unjust enrichment of other participants in the recovery who did participate in the expense. There is no means of equating that situation to that under review.

See

> *Trustees v. Greenough*, 105 U.S. 527,

and

> *U.S. v. Pioneer American Insurance Company*, 374 U.S. 84, 92.

It is believed the best test of the validity of the remainder of petitioners' summary of their position is the gross misstatement (PB 11) that—

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[10]Petitioners assume and assert that the English rule permitting award of attorneys' fees is one of the "remedies of the English Court of Chancery", whereas our exploration of the subject indicates that counsel fees are awarded in law, as well as in equity, to the prevailing party and that this rule is not one of common law, nor of "traditional equity"—but of an act of the Parliament (statute of Gloucester, 1275, 6 Edw. 1, c. 1). California statute expressly proscribes such allowances in the absence of agreement or special statutory authority (section 1021 of the Code of Civil Procedure, *Lowell v. Maryland Casualty Co.*, 65 A.C. 304, 308, ... Cal.Rptr. ...... (to be reported) 1966).

> "Until the decision below, in *every* circuit, district and reported case in the federal courts where the issue has arisen, the power to award attorney's fees to the successful plaintiff in trademark cases in these circumstances has been upheld, . . .". (Petitioners' emphasis.)

In avoidance of future repetition, we here notice two fundamental errors of statement intruded by petitioners at this place (PB 14) i.e., *first,* that *"the trademark right"* is "not a creature of Congress at all, but of equity" and, *secondly, "the trademark creates no monopoly".*

As to the first misstatement it is too clear to brook discussion that "the trademark right" of a registrant under the act—the exclusive subject matter of this appeal—is exclusively Congress-created.

Further, "trademark rights", *dehors* the act, are created by common law—not equity (actually and expressly conceded by petitioners, themselves, at PB 39).

Whether simply obtuse, or consciously dissembling, petitioners persistently assert, assume and imply that "equity" is a system of substantive law, creates rights, etc., etc. These suggestions are manifestly unsupported. To avoid overexpansion of this memorandum by pursuing such diversions, it may be put dogmatically that equity is but a system of remedies, originally ecclesiastic in nature—i.e., appeals to "the conscience of the king", as informed by his religious advisor—and subsequently, on secularization, employed to temper the rigidities of the common law.

Similarly naive, or dissembling, are petitioners' references to "civil law" as "equitable", in contrast to "law" (e.g. PB 33)—whereas, in legal classification in this context, civil, vis-a-vis common, law simply means continental, vis-a-vis English common, law —particularly as continental legal principles were assembled in the Code Napoleon.

Petitioners' gaucheries in these respects vastly weaken their brief, as an aid to decision herein, and, for this reason, no further note will be taken of them.

The second such misstatement is that "the trademark creates no monopoly" (PB 14) and later so restated (PB 39) whereas the precise holding of the first opinion herein (314 F.2d 149) is that Buchanan does have a nation-wide monopoly of the three word trade name[11] for all alcoholic beverages—though it has never made beer, other malt beverages, wine, brandy cordials, or the like! This is "a right in gross and at large", indeed.

A trademark does indeed create a monopoly, albeit a lawful one—if the mark is not abused—in law, as well as in fact.

See

United States v. Bausch & Lomb Optical Co., 321 U.S. 707, 724,

and the careful analysis and summary detailed by the District Court in

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[11]Strictly, we do not here deal with a trademark—but a trade name and it is *res judicata* that respondents did not use Buchanan's registered mark, as such, at all.

Phi Delta Theta Fraternity v. J. A. Buchroeder & Company, 251 F. Supp. 968, 975-980 (1966),

citing, *inter alia*, *Bausch & Lomb*, *Timken Roller Bearing Co. v. United States*, 341 U.S. 593, 597, *Carfice Corp. etc. v. American Patents Development Corp.*, 283 U.S. 27, 35, *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488, 494.

See, also, *Timberg*, 29 American Bar Association, Antitrust Section Reports (1966) 233, 242, *Frost*, idem. 122, 131 (citing *Simpson v. Union Oil Co.*, 377 U.S. 13, 22), and compare *Fine*, Misuse and Antitrust Defense to Copyright Infringement Actions, 17 Hastings Law Journal 315, 318-319, citing *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U.S. 488, 494.

In the precise context of this case, Buchanan's trade name monopoly affords it plenary and exclusive power to fix prices, at all levels, under California statute. See *Wilke and Holzheiser, Inc. v. Department of Alcoholic Beverage Control*, 65 A.C. 385, 394 (1966).

Since a trademark does, in fact and in law, create a monopoly, we take no further note of petitioners' suggestions to the contrary.

PETITIONERS' ARGUMENT CONSIDERED (PB 15-44)

I. "THE PRINCIPLE" ADVANCED BY PETITIONERS IS THE UNTENABLE CLAIM THAT THE COURT SHOULD IMPOSE THE ENGLISH RULE OF AN AWARD OF COUNSEL FEES AS COSTS TO A SUCCESSFUL PLAINTIFF IN EVERY TRADEMARK CASE (PB 15-16)

Petitioners here cite only the common-fund-recovered case of *Sprague* (307 U.S. 161) and an English Treatise (White's Kerly's Law of Trademarks etc., 1966, PB 16).

The "circumstances" claimed to "justify" the abrogation of the American rule are that respondents (1) were advised by counsel (as had been held in the only cases then decided upon the precise factual entity presented i.e. *Atlas,* 113 F.2d 672, *Arrow,* 117 F.2d 351, *Century,* 26 F. Supp. (aff. 107 F.2d 699) each supra) that no confusion could arise upon the use of the same trade name for beer and whisky and relied upon such advice; (2) tried the facts to the District Court and secured favorable findings and judgment; and (3) sought in the usual and lawful manner to defend that judgment.

Such "circumstances" are too thin to merit extended comment—much less to compel a reversal of fundamental doctrine declared by the Court almost a century ago and honored ever since—as resting "on a solid foundation, and that the opposite [English] rule is forbidden by the analogies of the law and sound public policy" (*Oelrichs,* 1872, 82 U.S. 211, 231).

To vault to the extremity of concluding—as petitioners do—that such imposts should be awarded, in

every trademark case, as "costs" is but a forlorn hope now receding with the increasing detachment from the realities of the subject and of this case exposed in petitioners' argument.

The Court has but recently rejected this "principle" in respect to litigation expenses as "costs"[12] in

Farmer v. Arabian American Oil Company, 379 U.S. 227, 13 L.ed. 2d 248, 254,

stating, in relevant part:

> ". . . We do not read that Rule [Rule 54(d)] as giving district judges unrestrained discretion to tax costs *to reimburse a winning litigant for every expense he has seen fit to incur* in the conduct of his case. . . . *Therefore, the discretion given district judges to tax costs should be sparingly exercised with reference to expenses not specifically allowed by statute.*"

II. PETITIONERS' "THE UNIFORM COURSE OF DECISION IS AGAINST THE COURT BELOW" IS WITHOUT SUPPORT (PB 17-23)

The patent hyperbole (PB 17) that—

> "In the federal courts, in *every* circuit, *every* district, and *every* case where the issue has arisen, so far as revealed in reported opinions, the power to award attorney's fees to the successful plaintiff in trademark cases in proper circumstances has been upheld and exercised until the decision below" (Emphasis by petitioners)—

[12]The District Court herein further erred in this respect in purporting to allow the same kind of litigation expenses (TR 66-68, $2,152.72) as rejected in *Farmer*.

is shown to be unrelieved arrogance by the pretended "support" which follows. He is not bold, but irresponsible, who would claim to know what has happened in "*every* case" to have "arisen" "in the federal courts" in trademark matters, anymore than in any other subject matter.

It will be noted that the decisions outlined appear to have "arisen" in only five—of the eleven—circuits, principally in the District Courts[18] therein, many declined the "power"—hence did not test it, several dealt with earlier trademark acts etc., etc., and, finally, petitioners ignore essential elements of correct analysis, e.g. many of the cited cases involved claims and issues beyond federal trademark statutes, principally unfair competition claims under state statute or common law.

The Court of Appeals has faithfully performed the supererogatory task of placing the cited decisions of the reviewing courts in proper focus, logically, historically and factually. With no little attention to the subject, we find nothing of precedential nature to add to that analysis. Petitioners' discussion here, however unintendedly, demonstrates that they too can offer nothing to detract from the sound resolution of the reserved issues by the Court of Appeals.

Petitioners' claims of universality do not stand up.

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[18]It does not disparage the high standing and purpose of the trial courts to suggest that their *ad hoc* resolution of factual matters and incidental determination of questions of law, may not provide the best opportunity of settling questions of the nature under review here.

The incidental sally at "legislative history" (PB 22, fn. 10) is well off the mark and ignores such significant legislative interpretation as exists.

While it is quite true that "trademark infringement is a species of the genus of unfair competition" it is clear that the act was not intended to create a federal system of unfair competition laws (see cases cited in footnote 4, supra).

In respect to the relevant issue: whether the Congress intended the act to authorize awards of attorneys' fees in trademark cases, the observable indications negate the conclusion that such was the legislative intent.

As the Court of Appeals has made clear (TR 103-104 and 112) the act simply does not provide for such awards and this has remained the case for some twenty years in the face of statutory provisions for such awards in comparable and related fields of litigation (TR 104, fn. 5).

In addition to the original omission to provide for such awards, subsequent legislative consideration of that subject includes at least two proposals to amend the act to provide for such awards and the failure[14] to enact such proposed amendments (TR 105, fn. 6, citing S. 2540, 83rd Congress, first session, par. 35 (1953) and H.R. 7734, 84th Congress, first session, par. 35 (1955)).

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[14]See also S. 2429, 86th Congress, first session (1959) and HR 4333, 87th Congress, second session (1962) enacted as 76 Stat. 769 (1962), in which such a proposed amendment had been deleted before reintroduction.

This attention to the subject of such awards is significant and relevant because it shows an actual awareness of the Congress that the act does not provide for awards of attorneys' fees, a conscious effort to add such a provision and a considered refusal to amend the act to add such a grant of authority.

There are no counter-indications.

III. PETITIONERS' CLAIM THAT "TRADEMARK LITIGATION IS OF A KIND PECULIARLY WARRANTING" ATTORNEYS' FEES (PB 23-27) ADVANCES NO POLICY CONSIDERATION TO SUGGEST NEED FOR "JUDICIAL LEGISLATION" TO SUCH PURPOSE

The principal basis of petitioners' "peculiarity" of trademarks litigation argument is a quotation of a portion of the report of the act to the Congress in 1946 (PB 24) without, however, suggesting anything on the point beyond the actual provisions of the act, itself, as then enacted.

The referenced exposition of Congressional purpose, however, is peculiarly defeative of petitioners' "peculiarity" argument—because this record is peculiarly devoid of suggestion of "swindling" deceit, diversion, palming off, unfair competition, and the like and, at worst, respondents proceeded upon a mistake of law believing that no possibility of confusion could exist because the branded products had different properties and were not in competition (first opinion, 314 F. 2d 149, 157).

Secondly, petitioners' *ad hominem* argument (PB 25) that a trademark "defendant will be larger and

wealthier" than the trademark plaintiff is contrary to common observation and the factual situations exposed in reported decisions in trademark cases.

The suggestion of the "larger and wealthier" defendant "arrogantly seeking to utilize its deeper pocket to drown the plaintiff in expenses of litigation" is ludicrous in the context of the undisputed facts of this case: petitioners are an international combination of (1) the largest segment (Buchanan) of one of the greatest cartels in Great Britain (Distillers Corporation Limited), and (2) a principal segment (Fleischmann) of one of the largest combinations of food marketing combinations in the United States (Standard Brands), whereas Maier is an independent, local manufacturer of beer and Ralphs an independent, local retailer, both operating in the southern portion of one of the western states of the United States, at Los Angeles, California!

Further, petitioners elsewhere (TR 54-55) "arrogantly" declare expenditures of $5,000,000 for advertising of their scotch whisky in a seven year period preceding this litigation, whereas neither of respondents engaged in any advertising of the black and white, or any other private label, beer.

Petitioners' next remark (PB 25, apparently intended as factual—though no record or other source is given) is that

> "In this age of *mass use of communications media,* an enterprise may have as much invested in advertising and in producing good will as in physical equipment."

It is highly doubtful that, "in this age of mass communication", advertising is actually utilized to identification of product and good will.

See the comment on *Chemical Corp. of America v. Anheuser-Busch, Inc.*, 306 F.2d 433 and related cases in 51 California Law Review 250-254, in part (p. 252):

> "Trademarks are currently used *not so much to identify the maker as to persuade the buyer. 'The seller seeks to exploit a conditioned reflex developed in the buyer . . .'* In this setting, the injury which the dilution theory seeks to remedy is the destruction of this conditioned reflex."

If, indeed, trademark litigation matters are peculiar it is a peculiarity that should be dealt with in the Congress—as the Congress has chosen to provide in this subject matter in the closely related fields of statutory regulation of copyrights and patents—rather than by *ad hoc*, case-by-case rulings of the District Courts in pursuance of what must be essentially personal standards of the trial judges presiding therein.

As applied to this record, we respectfully submit the Court of Appeals has stated (TR 105-106) a sound rule conforming to sound public policy, namely:

> "It seems clear that, under the standards laid down by us in *Park-In-Theatres, supra,* the award here involved would not be proper even if the Lanham Act contained the same provision for the recovery of attorney's fees as does the Patent Law. Yet here the defendant, whose case was good enough to convince an experienced trial judge that it should win, now finds itself subjeet

to a judgment for over $60,000 for the plaintiffs' attorney's fees, on the theory that defendant should not have defended the lawsuit in the first place."

IV. PETITIONERS' CLAIM "THE PREMISES AND REASONING OF THE COURT BELOW ARE IN ERROR" IS UNSUPPORTED AND UNTENABLE (PB 27-44)

A. Petitioners' suggestion that recovery of the attorneys' fees of the successful litigant from the unsuccessful litigant is the general rule is patently unsupported (PB 28-35)

Petitioners deign to criticize the statement of the Court of Appeals (TR 102) reading:

> "We start with the long established principle that a successful party cannot, in an ordinary action at law or in equity, recover his attorney's fees incurred in the action, unless such recovery is provided for by statute or contract."

Such criticism is so ill-founded and ill-supported as to discredit[15] petitioners' entire presentation and is belied by petitioners' labored effort throughout their brief (PB 3-10, 16-17) to suggest that some feature of this record is sufficient to suggest some exceptional consideration to justify application of the exception to the general rule of disallowance and non-recovery of attorneys' fees.

Secondly, petitioners dissemble in pretending that this cause "is a suit in equity" in the face of the rulings of the Court that Lanham Act cases are at

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[15]Please note petitioners' flippancy (PB 28) in stating: "*Among the multitude of cases in the dusty books* expressions of disapproval of the allowance of fees can be found."

law and litigants in such cases are entitled to trial by jury as a matter of right.

Dairy Queen, Inc. v. Wood, 369 U.S. 469, 479-480 and 481.

This discussion cites nothing new, re-citing *Sprague* (307 U.S. 161) and *Vaugh* (369 U.S. 527), the common fund and admiralty cases already noted, and the earlier common fund case of *Trustees v. Greenough* (105 U.S. 527, 1881).

As the Court has recently made clear in *United States v. Equitable Life Assurance Society,* 384 U.S. 593, 16 L.ed.2d 593, 599, the common fund cases are on a different footing (footnote 5).

As the court also made clear in *Vaugh* (369 U.S. 527) that case was in admiralty and dealt with compensatory damages and attorneys' fees were recovered as expenses of support and cure, not as costs nor as an allowance of attorneys' fees as "part of the historic equity jurisdiction of the federal courts," stating: "We do not have here that case" (page 529).

In all events, petitioners do not come forward with any holding that, in a case based exclusively on statute, attorneys' fees may be awarded in the absence of the grant of authority therefor in such statute.

B. Petitioners' claim that "the Lanham Act does not abrogate the historic power in trademark cases" begs the question (PB 36-37)

Since federal jurisdiction in trademark matters is derived from the act alone—the question is whether

the act provides for the allowance of attorneys' fees to the prevailing party—as it plainly does not.

The act was adopted after adequate study and hearings, in the light of forty years of experience under the earlier act of 1905, and must be accepted as the considered statement of all federal trademark regulation then intended by the Congress. Hence it must be presumed that the act incorporated all remedies deemed appropriate to its subject matter and the principle of *includio unius, excludio alterius est* applies—to matters excluded, as well as to those included.

Compare:

Carnation Company v. Pacific Westbound Conference, 383 U.S. 213, 15 L. ed. 2d 709.

Subsequently considered proposals to provide for such allowances have proved abortive.

Petitioners cite neither principle nor legislative history to suggest a contrary ruling—to add to the act a provision the Congress has clearly and consciously declined to include therein.

C. Petitioners' claim "the contrast . . . between the Lanham Act and the patent law and copyright act is a false one" misrepresents the rulings of the Court of Appeals and misstates the law respecting trademarks (PB 37-39)

It is indisputable that the Court of Appeals correctly analyzed (TR 103-104) the statutory provisions of the respective acts relating to patents, copyrights and trademarks and necessarily observed that the Congress had provided for allowances of attorneys' fees

in both of the former regulatory acts, omitted such authority in the latter and further observed that the Court had consistently held (*Teese*, 64 U.S. 2, 8-9 and *Philp*, 84 U.S. 460) that such allowances could not be lawfully made under the patent statute while it lacked express authority for such awards.

It is simply incredible that any court could be criticized for applying such obvious criteria of statutory construction, the principal—and, it is submitted—the exclusive question herein presented for resolution.

Petitioners' only excuse for such unfounded criticism is their repeated ploy that the cited cases (*Teese* and *Philp*) "were not equity cases but *actions at law for damages*" (PB 38, petitioners' emphasis)!

This is an action at law and petitioners did seek "damages from defendants based upon their alleged infringement of the trademark" (TR 12 and see TR 7, parts 3 and 4 of the prayer of petitioners' complaint herein).

To reiterate, the Court has held:

> ". . . We . . . think it plain that their claim for a money judgment is a claim wholly legal in its nature however the complaint is construed. . . . And *as an action for damages based upon a charge of trademark infringement, it would be no less subject to cognizance by a court of law.*"
>
> (*Dairy Queen, supra*, 369 U.S. 469, 477.)

Petitioners could not have missed the point because *Dairy Queen* was cited in respondents' brief in oppo-

sition (page 10)—if it had otherwise escaped their attention.

Serious advocacy requires more forthrightness than this.

D. Petitioners' claim "attorney's fees can be awarded in Lanham Act cases as compensatory" is without support and, as novel doctrine, would be unsound (PB 40-41)

Petitioners here appear to abandon their argument that attorney's fees should be awarded as costs under the English rule or, alternatively, as embraced in some unarticulated concept of "equity" and here argue that their attorney's fees should be allowed as damages, apparently as compensatory[16] damages.

Herein, however, it is conceded (TR 26) that petitioners suffered no damage, no loss of sales, no diversion of custom, no disparagement of the mark, no diminution of good will, nor any other economic injury whatever.

To award a prize for successful advocacy in the first appeal therefore violates the public policy declared in *Oelrichs* (82 U.S. 211, 231) without the slightest "exceptional" or bonus factor in the case. Such a proposal simply suggests that the prevailing party may recover his counsel's fees in every case.

The reference to "unfair competition" as a basis for such an allowance (PB 40) is attempted misrepresentation—as all issues and elements of unfair competition are lacking (actually, competition is fac-

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[16]Section 1117 of the Act (15 U.S.C. 1117) expressly prohibits punitive damages, i.e. "such sum . . . shall constitute compensation, not a penalty."

tually and legally impossible) and all such issues were expressly eliminated from this case in the first opinion (314 F.2d 149, 161).

Secondly, "unfair competition", a state-generated claim, could not support such an allowance under California statute (Section 1021 of the Code of Civil Procedure), which proscribes such recoveries in every such case.

Thirdly, as "compensatory" damages it would be necessary to prove that petitioners had "suffered" the outlay of attorneys' fees to be compensated—whereas one of the real peculiarities of this case is that petitioners have never paid any sum whatever as compensation to their counsel and have failed to show any obligation,[17] any agreement, any billing for attorneys' fees to their counsel.

Petitioners' remarks anent an "accounting" at this place (PB 41) can have no possible relevance to any issue or question presented here for the simple reason that petitioners could not wait for resolution of the accounting issues and final conclusion of the case in the trial court, hence the "accounting" issues herein were not even *sub judice* when the order under review was made at petitioners' instance.

Section 1114 of the act (15 U.S.C. 1114) provides that one making unauthorized use of a mark in com-

[17] It necessarily appears that compensation to petitioners' counsel is contingent upon some event not yet disclosed. If so, an award would be a bonus-on-a-bonus. It is noted that the circumstances usually assumed as justifying a contingent attorneys' fee arrangement are absent in this case.

merce "in connection with the sale of goods . . . shall be liable in a civil action by the registrant for the remedies hereinafter provided"; section 1116 authorizes injunctions "to prevent the violation of any right of the registrant"; and section 1117 alone provides for recovery of damages, i.e. "any damages sustained by the plaintiff," necessarily by reason of "use in commerce . . . in connection with the sale . . . or . . . use . . . likely to cause confusion".

It is manifest that attorneys' fees and other expenses of litigation subsequently incurred, in court, cannot be "damages sustained" by "use in commerce" and it is equally manifest that the only damage provision of the act (section 1117 of 15 U.S.C.) does not provide for such recovery, as damages. The grant of power to issue injunctions only authorizes relief (1) "to prevent violation" and (2) "directing a report . . . setting forth the manner and form in which the defendant has complied with the injunction" (TR 32-34).

No matter how the act is fragmented, parsed, semantically manipulated, it does not add up to a "power to grant" attorneys' fees—*eo nomine*, or otherwise.

E. Petitioners' claim "the District Court acted well within its discretion" begs the question and is unsupported in the record (PB 41-44)

Petitioners here (PB 40-41) beg the question because the question tendered is whether there is statutory power to act at all in this subject matter. The cited case (*Park-In-Theatre*, 190 F 2, 137) was

a patent infringement case wherein the relevant statute did grant the power to award attorneys' fees in proper cases. Naturally, such qualified power must be exercised by proper judicial standards.

However, we here deal with the threshold obstacle that the act does not "grant the power" to award attorneys' fees even in "proper cases" and no exercise of discretion can supply the omission of such grant of power in a proceeding that is purely statutory. So long as our system of government remains one of laws, not of men, "the letter of the bond" must be found in the statutory grant of power. We reject that system of dispensing boons and punishments as by an oriental potentate at the gates of the city as the whim of the morning may move him.

The authorities here newly cited all deal with the exercise of conceded judicial power, hence provide no aid in determining whether such power exists. For this reason, it would not prove helpful to expand this memorandum with a detailed analysis of such cases.

We regret the necessity of pointing up petitioners' irresponsibility in factual matters (footnote 24, PB 43), in stating that respondents consulted "counsel only after suit was filed." The basic record references (TR 7-8, 17, 48) have already been noted (supra, pp. 8-10). In refutation of petitioners' assertions in their footnote 24 we here quote the pre-litigation rejection of petitioners' demand "to cease and desist" (TR 8-11) by Mr. Gilford's letter of December 26, 1957 (TR 53-54), in relevant part, namely:

"Re: 'Black & White'—Maier Brewing Co.

"Dear Mr. Lasky,

I represent Maier Brewing Co., and your letter of December 23, 1957 has been passed to me for attention.

The name 'Black & White' which my client is using in connection with Beer, does not, constitute an infringement, in my opinion, of your trademark used in connection with Whiskey.

If you will check the records you will find the name 'Black & White' *used with Beer has been used in this State for many years by others. We have been using it and now own the right as the previous user of the name abandoned its use.*

You are presenting an argument that would prohibit the use of the name by someone selling a soft drink, such as 'Black & White Soda.' *I can't seem to agree with your contention.*

Any threat to any of our customers causing us to suffer damages and loss of sales will naturally result in retaliatory action on our part.

Yours very truly,

/s/ MAX M. GILFORD"

The latter communication was introduced in evidence by petitioners, themselves (TR 53, Petitioners' Exhibit 1A).

The search for truth herein is not advanced by petitioners' concluding remarks on factual matters in their footnote 24 (PB 43).

V. PETITIONERS' "CONCLUSION" REQUESTS RELIEF NOT SUPPORTED BY THE RECORD (PB 44)

Petitioners here propose that, in the event of a reversal of the judgment of the Court of Appeals, the cause should be remanded (to the District Court, rather than the Court of Appeals) with directions to "proceed to entry and enforcement of final judgment" (PB 44).

Even in the unlikely event of a reversal, the disposition of the cause as proposed by petitioners would be improper and unsupported. In the event it should be concluded that an award of attorneys' fees and litigation expenses may be made in a purely statutory proceeding in which the relevant statute makes no provision for such an award, upon some consideration or circumstance *de hors* the statute, still—and in that event—there remain for resolution the material issues: (1) whether such exceptional considerations and circumstances actually exist in this record in such form and substance as to justify such exceptional and extraordinary relief and (2) whether the amounts herein purported to have been awarded are (a) within the discretion of the District Court, (b) lawful in amount and (c) sustained by the evidence.

Respondents have fully reserved the latter issues, adequately documented them by references to the record and supported a reversal of the order of the District Court by reference to errors so reserved before the Court of Appeals.

In view of the ruling of the Court of Appeals—that the instant award is without support in law—the con-

sideration of other appellate issues became irrelevant and were left unresolved.

However, if there were a reversal of that ruling, the reserved appellate issues would remain and a "final judgment" must await their lawful resolution.

SUMMARY AND SUBMISSION

Respondents respectfully submit that the Court of Appeals has fully and carefully considered and has lawfully and soundly resolved the questions of law tendered by the controlling appellate issue in this cause and that the judgment below should be affirmed.

Further, a legislative grant of power must be accepted as the measure of that power. An act of the Congress is not properly expanded and extended by non-statutory considerations unrelated to the statutory subject matter. The extraneous considerations petitioners here advance were anciently accepted, forsooth, precisely because the legislative process was non-existent, or crudely primitive and rarely used in those times.

Whether trademark registrants, as a class, are in need of financial assistance in litigation involving their registered marks, contrary to the accepted American rule and practice in matters in litigation in the federal courts, is a matter of legislative policy properly reserved to the Congress. That body is in substantially continuous session and trademark registrants, as a class, are not without voice and standing in that

forum. To date, the Congress has found no crying need for such exceptional benefits to trademark registrants, as a class, though active in providing such benefits in related fields of business regulation and resulting litigation deemed worthy by that body of such exceptional benefits.

If there be some underlying principle of judicial administration which requires such extraordinary relief, outside the statute, petitioners have defaulted to the task of justifying the exception from "the principle of disallowance [which] rests on a solid foundation, and the opposite rule is forbidden by the analogies of the law and sound public policy" (*Oelrichs,* supra, 82 U.S. 211, 231, TR 103).

If such exceptional, unauthorized relief were to be awarded upon this record, it is difficult to conceive of any trademark case wherein such relief should ever be denied. Petitioners' persistent caterwauling aside, respondents' delicts herein—actual or supposed—present a case as bland as any to be found in the books. We have here no actual confusion, no economic injury—to either of petitioners—no appropriation, gain or profit—to either of respondents—who proceeded throughout under a mistake of law, honestly entertained upon advice of counsel.

The amount of this award should not escape attention—$60,000 for a one day trial, an uncomplicated appeal and petition for writ of certiorari, in a case wherein no damage is claimed and no accounting has been had. An impost of such magnitude—in context—

must be accepted as penal. If such awards shall become "the American rule", trademark registrants shall have the opportunity—verily, the invitation—to broadcast their private "orders to cease and desist" and coerce compliance of all comers under threat of such "penalties", and few will be stout enough to stand suit in even the worthiest of cases.

It must be clear that the Congress and the federal judiciary cannot contemplate trademark registrants as a modern breed of privateers who may thus exploit their registrations as the modern equivalent of letters of marque and reprisal.

The judgment below should be affirmed.

Dated, San Francisco, California,
January 6, 1967.

Respectfully submitted,
J. Albert Hutchinson,
Attorney for Respondents.